

*"L.K. Resources Ltd.,
a diversified agricultural
and energy company,
describes its integrated
operations in this
1982 Annual Report."*



Corporate Profile

LK Resources Ltd. is a diversified Company providing food, fuel and shelter. Its roots are planted firmly in western Canada's ranching industry where it began in the late 1800s. Farm and ranch lands have since grown to cover over 80,000 deeded and leased acres. Integration began with the addition of feedlots and a feed mill and continued into the beef slaughtering processing business where the Company now owns and operates four plants. The fuel and shelter divisions were introduced in October 1979 when an amalgamation added Beaver Geophysical Services and Cee-Der Log Buildings. In 1981 LK Oil and Gas was formed, a petroleum exploration company. Shares of LK Resources Ltd. trade on the Alberta and the Toronto Stock Exchanges (LKR).

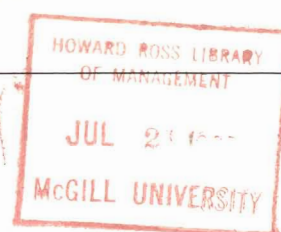
Annual Meeting

The Annual General Meeting of the Shareholders of LK Resources Ltd. will be held at 3 p.m. on March 22, 1983 in the Willow Park Room of the Hospitality Inn South, 135 Southland Drive S.E., Calgary, Alberta.

Table of Contents

Highlights	1
Report to the Shareholders	2
LK-At-A-Glance	6
Agribusiness Beef Production Division	7
Oil and Gas Division	16
Natural Resource Services Division	20
Consumer Services Division	21
Financial Review	22
Financial Statements	24
Corporate Information	32

Highlights



(In thousands except per share amounts)

	<u>1982</u>	<u>1981</u>	<u>1980</u>
Gross Revenue	\$ 198,693	167,260	146,880
Total assets	\$ 79,783	74,743	49,246
Net income (loss)	\$ (1,745)	2,229	2,610
Net income (loss) per share*	\$ (0.42)	0.42	0.54
Working capital (deficiency) at year end	\$ (210)	4,831	7,220
Capital expenditures	\$ 8,195	12,081	2,022
Common shareholders' equity	\$ 18,037	20,102	17,738
Common shareholders' equity per share*	\$ 3.63	4.05	3.59

*Including class A and class B shares



Report to Shareholders



Gerald E. Kaumeyer
President & Chief Executive Officer

Neil A. McKinnon
Chairman of the Board

The 1981-82 fiscal year will not be remembered as an outstanding one for LK Resources. While total revenue increased 19% to \$198,693,000, net income amounted to a loss of \$1,745,000 from a break even the year before, reflecting a loss per share of 42 cents.

Several years ago your Company embarked upon a program of diversification because it felt that having an interest in unrelated industries would provide protection against the cyclical nature of the cattle business. Unfortunately, in view of the current state of the Canadian economy, diversification has proven to be of little assistance, as virtually all industries are affected to a greater or lesser degree by the effects of the recession, continuing inflation and high interest rates.

At the time of committing to expansion through diversification LK Resources was confident in the Company's ability to finance this expansion through the creation of some type of convertible equity financing. This, of course, has been impossible in light of the negative factors affecting financial markets. LK Resources, like many

other companies, has found itself with too much debt at high interest rates which had a disastrous effect on earnings.

While the majority of the Company's operations were adversely affected by a slowdown in the economy, the major losses suffered in the past year were caused by the collapse of margins in beef slaughtering and processing during the last half of 1982. This collapse resulted from the combined effect of a number of factors. Never before have these factors been encountered for as long a period of time in the history of the beef industry.

The first factor is related to the standard method of operations in the meat packing industry. Profitability is historically based on volume of production to minimize unit costs. As a result, all packers attempt to maintain high volume production. Because of competition, the price packers pay for slaughter cattle increases to the point where losses are incurred on every head processed

As a result the Alberta beef slaughtering/processing industry has been characterized by fluctuations in slaughter volume and prices, resulting in inconsistent and frequently unsatisfactory return, particularly to operators with multi-storey, full line plants.

In addition slaughterers have become progressively more vulnerable to the vagaries of the market system. The producers have achieved increasing sophistication and effectiveness in maximizing live cattle returns. The wholesalers and retailers have gained an inequitable share of bargaining power in beef carcass transactions at the slaughterer's expense.

Yet another factor is that almost one-half of Alberta's beef is sold under the Crow Rate pricing structure to Montreal buyers. This price setting mechanism is inequitable and outdated and adversely affects a very substantial share of Alberta's production.

These factors within the industry, in our opinion, result from two conditions. First, the meat packing industry suffers from over capacity, lack of industry leadership and a resulting fragmentation of sellers.

Secondly, the cattle industry in total has reached a stage of development under which it is no longer a growth industry but rather a mature industry. This in itself is evidenced by the fact that over the past year, except for two months in the spring, all phases of the cattle business have been unprofitable, bringing additional pressures for increased efficiencies.

While the combination of these factors within the industry might appear very negative, they also provide some opportunities. We will be placing increased emphasis on cost reduction features of our slaughtering and processing facilities to ensure we are among the lowest cost operators in the industry, to make greater utilization of our integration, and thus be in a position to take advantage of the changes that are inevitable within the industry.

We continue to feel that the food and agribusiness industry has great potential in the future—particularly through the application of new technology commonly referred to as "genetic engineering". This technology has great promise for developing improved and more efficient plants and introducing the techniques that will have a dramatic impact on food production.

We also continue to feel confident that our oil and gas division will make a valuable contribution to the long term results of our Company. Even with a drop in world oil prices, new oil netbacks in Canada will still be among the best in the world and should result historically in some of the most profitable exploration economics.

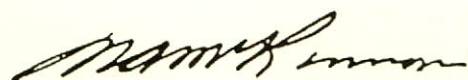
During the coming year efforts will be made to further the "belt tightening" undertaken during 1981-82, as we anticipate that any turn around in the economy will be slow with little improvement for our basic operations. With the reduction in interest rates internally generated funds are increasing. This will continue to have a beneficial effect in 1983 and continued efforts will be made to liquidate unnecessary assets and in so doing reduce long term debt.

We are sorry to report that Mr. Frederick H. Peacock, who has served on our board since LK Resources became a public

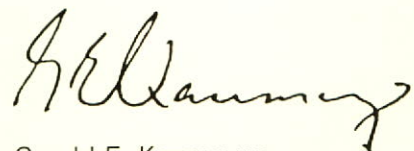
corporation in 1979, has resigned in view of his appointment as Agent General, Asia/Pacific for the Government of Alberta. We thank Mr. Peacock for his valued help and wish him every success in his new role.

In summary, while 1982's performance is clearly not satisfactory, we can look forward to 1983 with expectations of improvement. On behalf of the Board, we thank our many loyal employees, clients, suppliers, bankers, and shareholders for their appreciated support.

On behalf of the Board of Directors



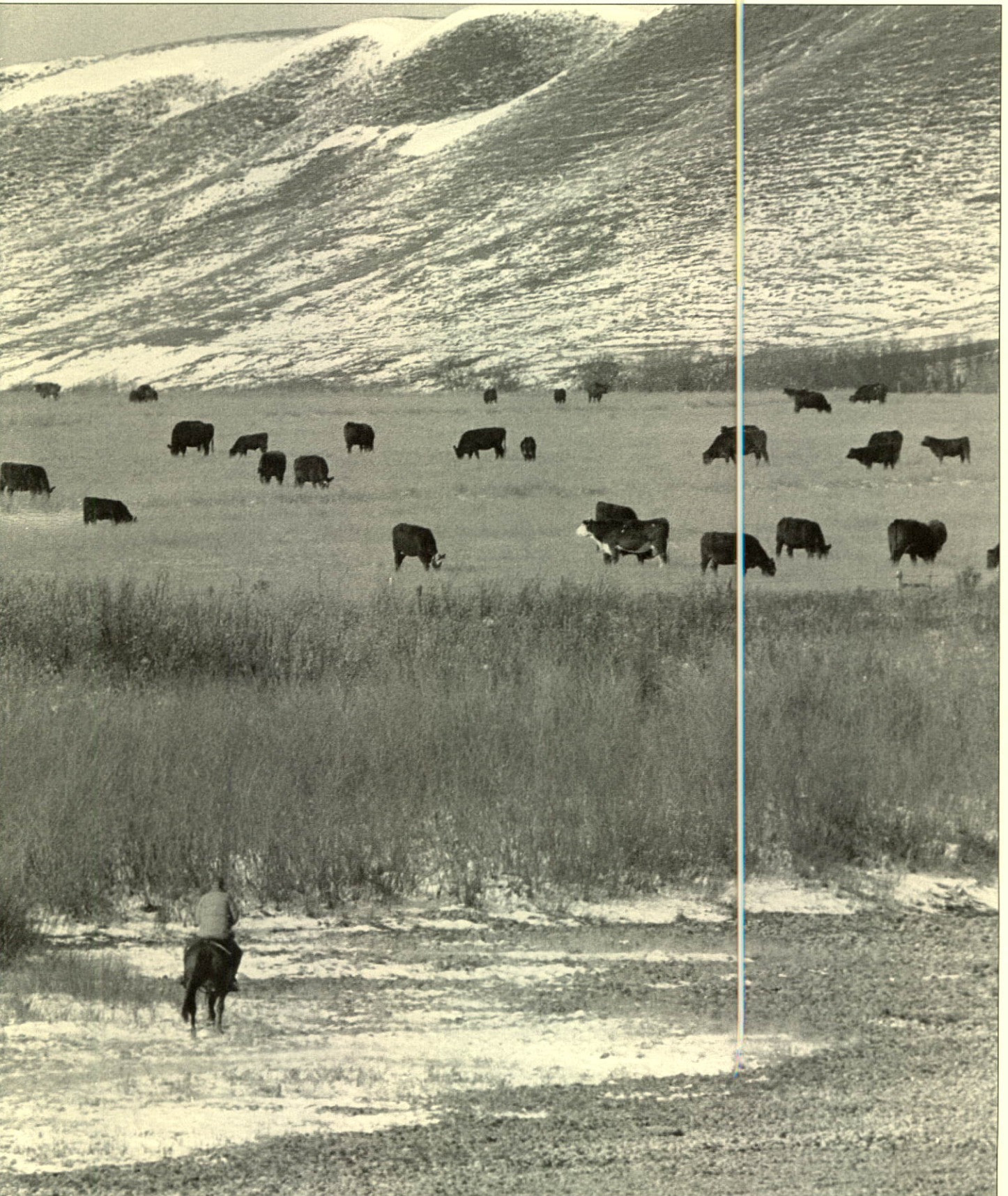
Neil A. McKinnon
Chairman of the Board



Gerald E. Kaumeyer
President & Chief Executive Officer

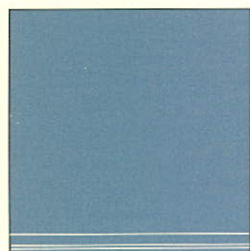
The productive capacity of western Canada's vast ranch lands will continue to increase with improved technology and the experience of the people working the land.



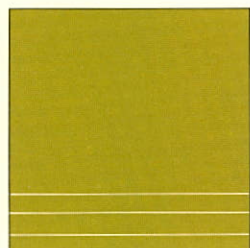


LK At A Glance

An integrated company providing food, fuel and shelter.



Sales 1982 (000's)	
Agribusiness	\$184,178
Natural Resources	10,032
Oil and Gas	595
Consumer Services	3,888
Total	\$198,693



Book Assets 1982 (000's)	
Agribusiness	\$59,778
Natural Resources	5,507
Oil and Gas	7,392
Consumer Services	5,134
Total	\$77,811

Agribusiness Beef Production Division

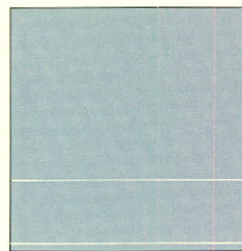
LK Ranches: This diversified organization began as a homestead in the late 1800s and is today one of the largest agribusiness ventures in Canada. Integrated production facilities include grain growing, raising calves, feedlot operations—all utilized in LK's other downstream processing facilities.

XL Feeds Ltd.: A joint venture with Maple Leaf Mills Ltd., this company processes all feeds used in the LK feedlot to fatten cattle prior to slaughter.

XL Beef: This division operates an efficient beef slaughter facility in Calgary. Cattle from the feedlot operations and other cattle purchased on the open market are processed at this plant and transferred to Montagne Meats for further processing.

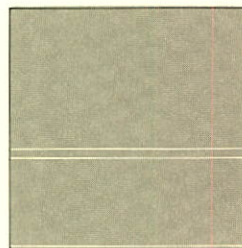
Montagne Meats: This specialized beef processing operation is one of the most modern in Canada where carcasses are broken down into consumer cuts or "boxed beef" for sale to restaurants and retail stores.

Agriservices International: This is the consulting arm of the Company, a service which brings together LK's many years of experience operating a uniquely integrated food production company. Many third world countries including Morocco and Costa Rica, have called upon the services and expertise of this company.



Operating Profits 1982* (000's)	
Agribusiness	\$3,187
Natural Resources	1,146
Oil and Gas	149
Total	\$3,748

*The Consumer Services Division incurred a loss of \$734,000 during 1982.



Capital Expenditures 1982 (000's)	
Agribusiness	\$4,595
Natural Resources	361
Oil and Gas	2,843
Consumer Services	175
Total	\$7,974

Natural Resource Services Division

Beaver Geophysical Services: This is the Canadian-based geophysical division providing state-of-the-art seismic technology to the oil and gas industry in western Canada.

Silver State Seismograph Inc.: The U.S. arm of LK's geophysical services division, this company operates throughout the U.S. Rocky Mountain area.

Oil and Gas Division

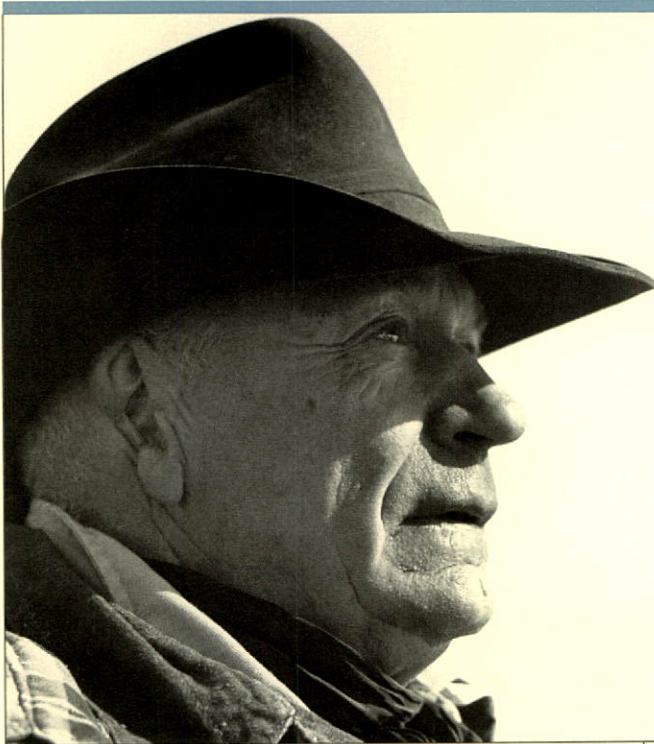
LK Oil & Gas Ltd.: This new LK company has, in spite of the downturn in Canadian activity, established a significant presence in both western Canada and offshore the Canadian east coast in just over one year of operation. This division will be a strong contributor to LK's activities in the years to come.

Consumer Services Division

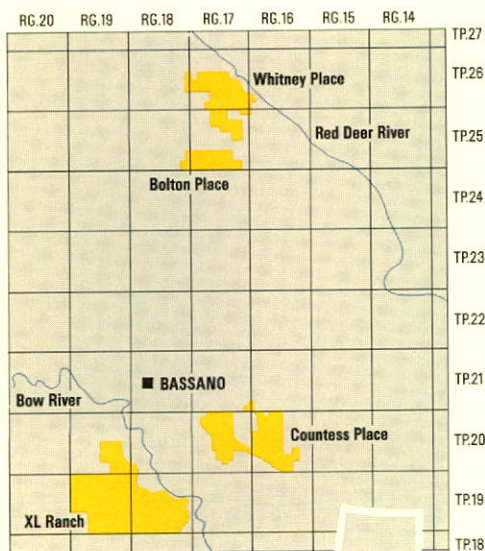
Cee-Der Log Buildings: This division manufactures and designs customized and pre-fabricated log structures with a market that extends across Canada and into the western United States.

Lathom Concrete Ltd.: This company owns and operates an aggregate business south-east of Calgary and at Bassano, with its principal market being the southern Alberta construction industry.

LK is a working ranch, one of the last around, where men and horses play the important role in daily operations.



Bassano, Alberta

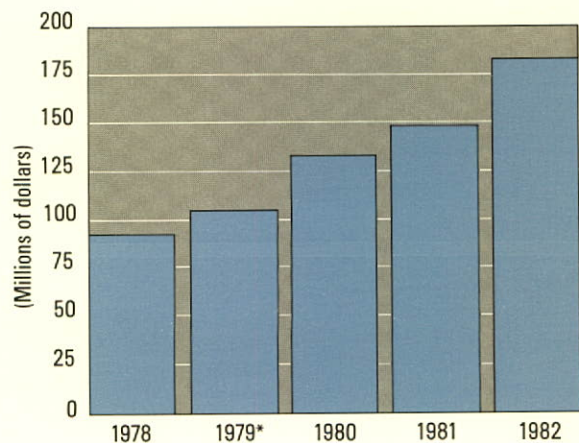


■ L.K. Ranches Ltd. Holdings in Bassano area

○ Montagne Meats Processing Plants

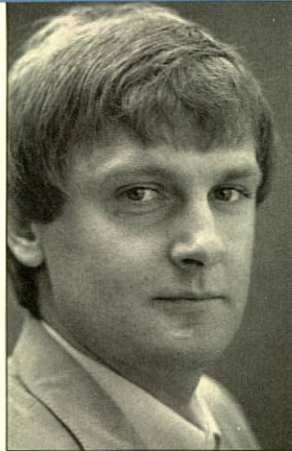
* XL Beef Slaughtering Plants

Agribusiness Beef Production Sales 1978 - 1982



*For the ten month period from January 1, 1979 to October 31, 1979.

Agribusiness Beef Production Division Ranching Operations



Lachie McKinnon
Vice-President

LK Resources' overall agribusiness operations result from many years of developing all phases of beef production into a totally integrated process. The chain begins on the LK ranch where calves are raised and exposed to efficient feeding programs, moved to the slaughter facilities and finally processed as "boxed beef" for sale to retailers.

This integrated approach was initiated primarily for two reasons: first to increase profitability by eliminating some of the costs associated with the normal buying, selling and shipping of cattle at various stages of production and secondly, through careful selection, to maintain control over quality so that the end product is second to none.

The starting point in this "chain of quality" is LK's ranching operations which utilize large areas of grazing land in the general vicinity of Bassano, Alberta, 85 miles southeast of Calgary. Here crossbred cow herds are used to produce steer calves that excel in the feedlot and heifer calves that make exceptional replacements for sale to other commercial ranchers.

The Company is constantly examining new methods to increase the carrying capacity of its ranch land. As part of this effort, stubble from the farming operation for grazing the cow herd has been used for many years.

The second part of the integrated process is to utilize that portion of LK's land

holdings that are suitable for cultivation and raising grain crops by the farming division. The farming operations of LK Resources were expanded during the 1982 fiscal year. More than 12,120 acres of cultivated land, representing an increase of 1,120 acres over 1981, were utilized in the production of grain and feed crops.

As in past years, LK continues to divide its farming operations between "custom", contract farming with independent farmers in the area and "non-custom", farming which is operated by the Company.

Custom farming operations utilize approximately 85 per cent or 10,300 acres of the Company's cultivated land, and account for most of the cash grain crops which are harvested from the LK lands. Cash crops for fiscal 1982 consisted mainly of wheat and barley. Due to North America's current surplus of grain and subsequently depressed grain prices, the net return from this year's custom crops is expected to be lower than returns realized during fiscal 1981.

The remaining 15 per cent or approximately 1,820 acres of LK land is used for non-custom farming activities and account for most of the Company's silage and hay crops. These crops are grown primarily for use in LK's calf and cattle feedlot operations and for the feeding of the breeding herd during the winter months. Centre-pivot irrigation systems are used in the cultivation of LK's silage corn crop.

In the coming year, LK farming personnel will re-evaluate the existing crop mix in terms of yields, operating costs and marketing opportunities with the objective of improving operational flexibility and net return on LK's overall farming operations. This may lead to a shift from corn silage as a main crop to the increased harvesting of barley silage, which would offer more options to the Company.

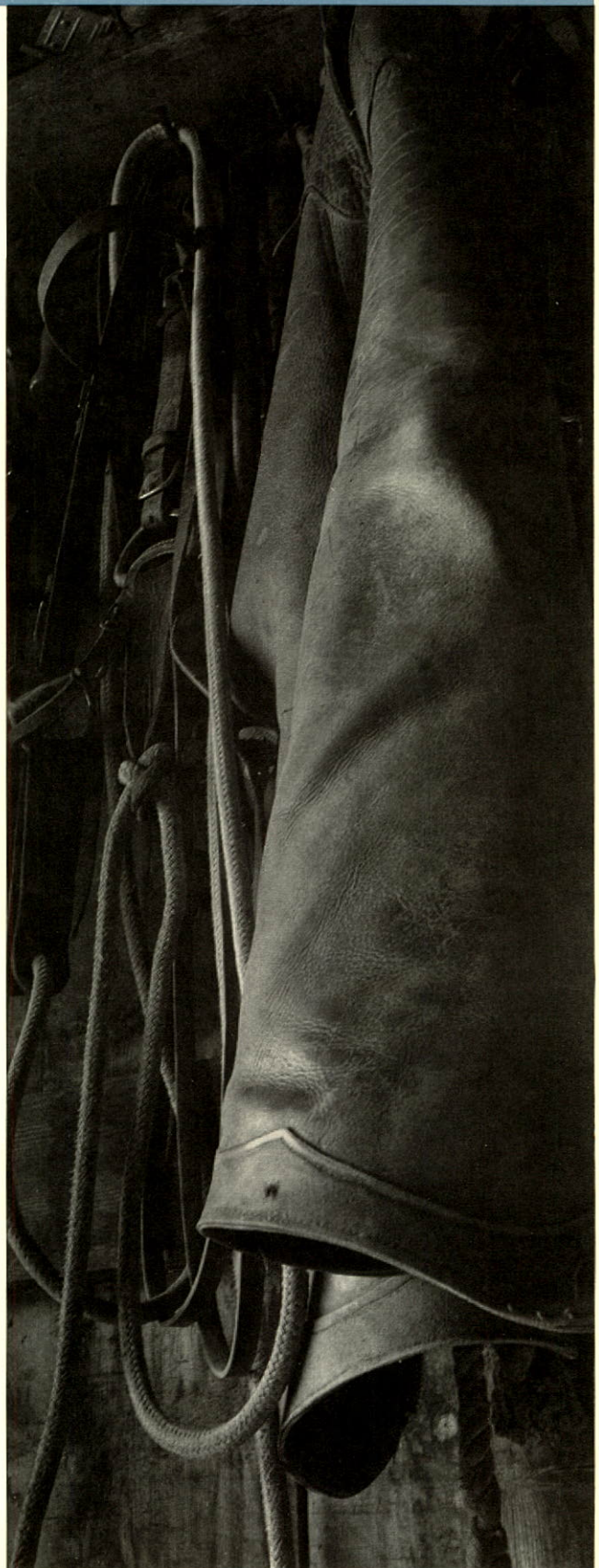
The next stage of integration is the cattle feeding operation which is conducted at two feedlots, a calf or backgrounding lot and a finishing feedlot; both are located adjacent to land and feedmill facilities at Bassano. These lots are utilized both to

feed LK cattle that are being readied for slaughter, as well as "custom fed" cattle owned by other producers or investors. LK buys large numbers of feeders to supplement those raised on the ranch. LK has developed a crossbred feeding program aimed at producing suitable weight carcasses for Montagne Meats.

During the past year, due to concern about the profitability of cattle feeding, LK substantially reduced the number of Company-owned cattle on feed and, while the number of custom fed cattle remained approximately the same, the overall effect was a reduction in total cattle on feed. This increased the costs of operating the feedlot on a unit basis.

Custom feeding at LK's feedlots has been a fairly recent development. In order to fully utilize the feedlot capacity greater emphasis is being placed on this type of business. With demand growing for this service the percentage of custom fed cattle in the LK feedlot is increasing.

Typically cattle feeding in Alberta has a number of seasonal influences which result in large numbers of yearlings and calves being put on feed during the fall. However as these cattle are finished and fed for slaughter during the May to August period, total feedlot inventory declines and normally reaches its lowest level during July and August. LK's feedlot management is considering ways of offsetting this period of low activity and if market conditions look promising may feed increased numbers of Company cattle during this period.



One of the objectives – and advantages – of integration is the control over quality at all levels of the operation.



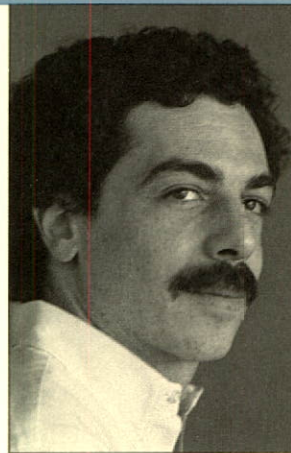


Agribusiness Beef Production Division Beef Processing Operation



Alec Fraiberg
Vice President, Montagne Meats

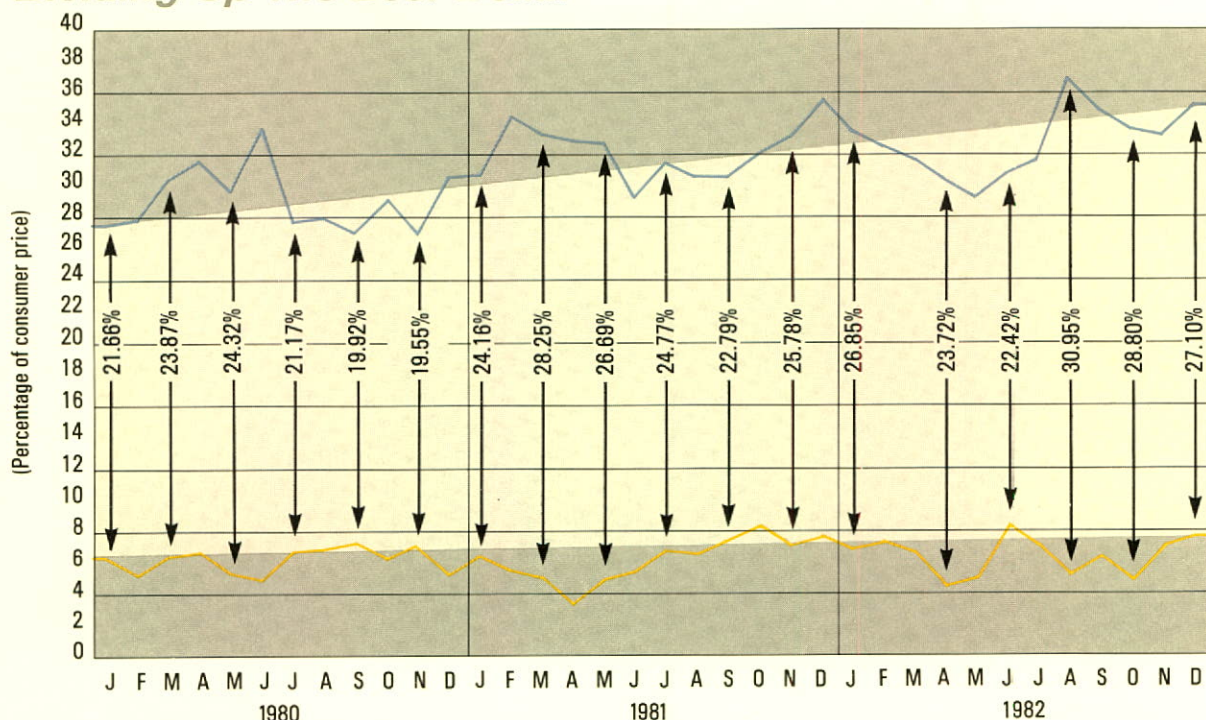
The beef processing division of LK Resources expanded during 1982 and is now comprised of two slaughter operations under XL Beef, and Montagne Meats, the beef processing operation. This growth provides LK Resources with an even greater presence in Alberta's



David Spiegel
General Manager, Montagne Meats

beef slaughtering and processing industry. LK currently accounts for 16 per cent of Alberta's total slaughter capacity. Alberta in turn accounts for 42 per cent of Canada's entire slaughter capacity. During 1982 XL Beef and Montagne Meats, previously wholly

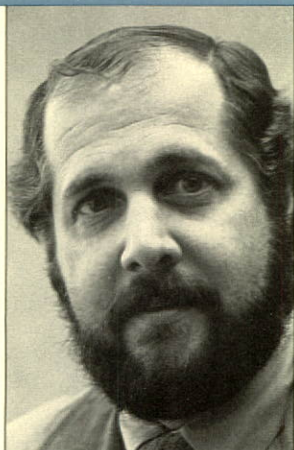
Dividing Up The Beef Dollar



— Percentage of beef dollar going to retailer (average over 3 years = 31.11%)

— Percentage of beef dollar going to packer (average over 3 years = 6.31%)

The graph demonstrates the percentage of the beef dollar going to the retailing industry and the packing industry. Over the past few years the packing industry has been caught in a cost/price squeeze with costs rising more rapidly than the price received for beef products. LK's program to increase operational efficiency and market return is addressing this problem.

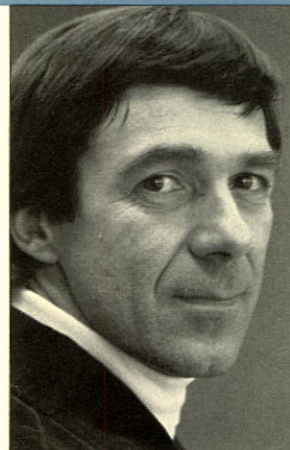


Michael Nutik
General Manager, XL Beef

owned subsidiaries, were merged into LK Resources to ensure maximum cash flow within the Company. These companies continue their operations as before but as divisions of the parent company.

In April of 1982, LK's slaughtering operations were expanded with the acquisition of a second Calgary-based plant. The majority of the output of these two plants will be funnelled through the facilities of Montagne Meats for further processing. Although the three LK plants have been operating in an efficient fashion, the general downturn in the economy has reduced demand so that packer margins have been below break-even for many months.

The recessionary economy of 1982 has brought about a reversal in the cattle expansion cycle which began in 1979. Many beef producers, pressured with high interest rates, high debt loads, market uncertainty and low cash flow, began to liquidate their herds. As a result slaughtering throughput volume was up 22 per cent over last year while processing volume was in line with the Company's expectations. The unstable economic atmosphere brought about conditions which severely affected the profitability of LK's Beef Processing Division. Aggressive competition for available cattle supplies, particularly among western packers, combined with excessively high interest rates and high labour costs precipitated negative profit margins for the last quarter of the year. The bringing on stream of LK's third plant during this difficult market



Brian Verbin
Assistant General Manager, XL Beef

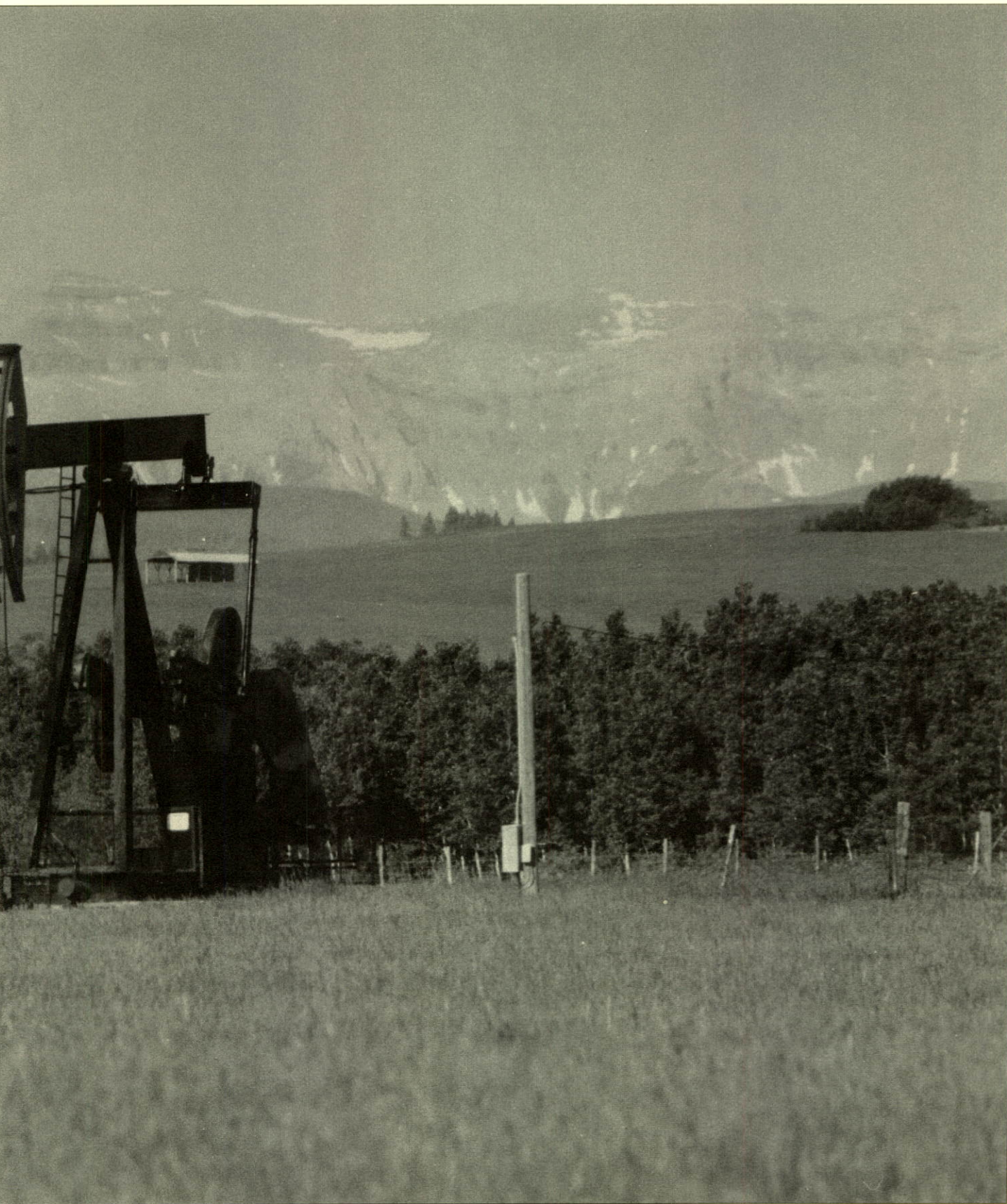
environment compounded the Company's slaughtering and processing losses.

As a result, during 1982, LK experienced an overall loss in slaughtering operations, though a small profit was realized by Montagne Meats. Looking to 1983, the Company anticipates a return to a more normalized market environment. The heavy herd liquidation in 1982 will eventually lead to higher retail prices as packers compete for shorter supplies available in late 1983 and 1984. In addition, a gradually improving economy will provide a basis for stronger beef demand, enabling a return to improved profit margins throughout LK's beef processing operations.

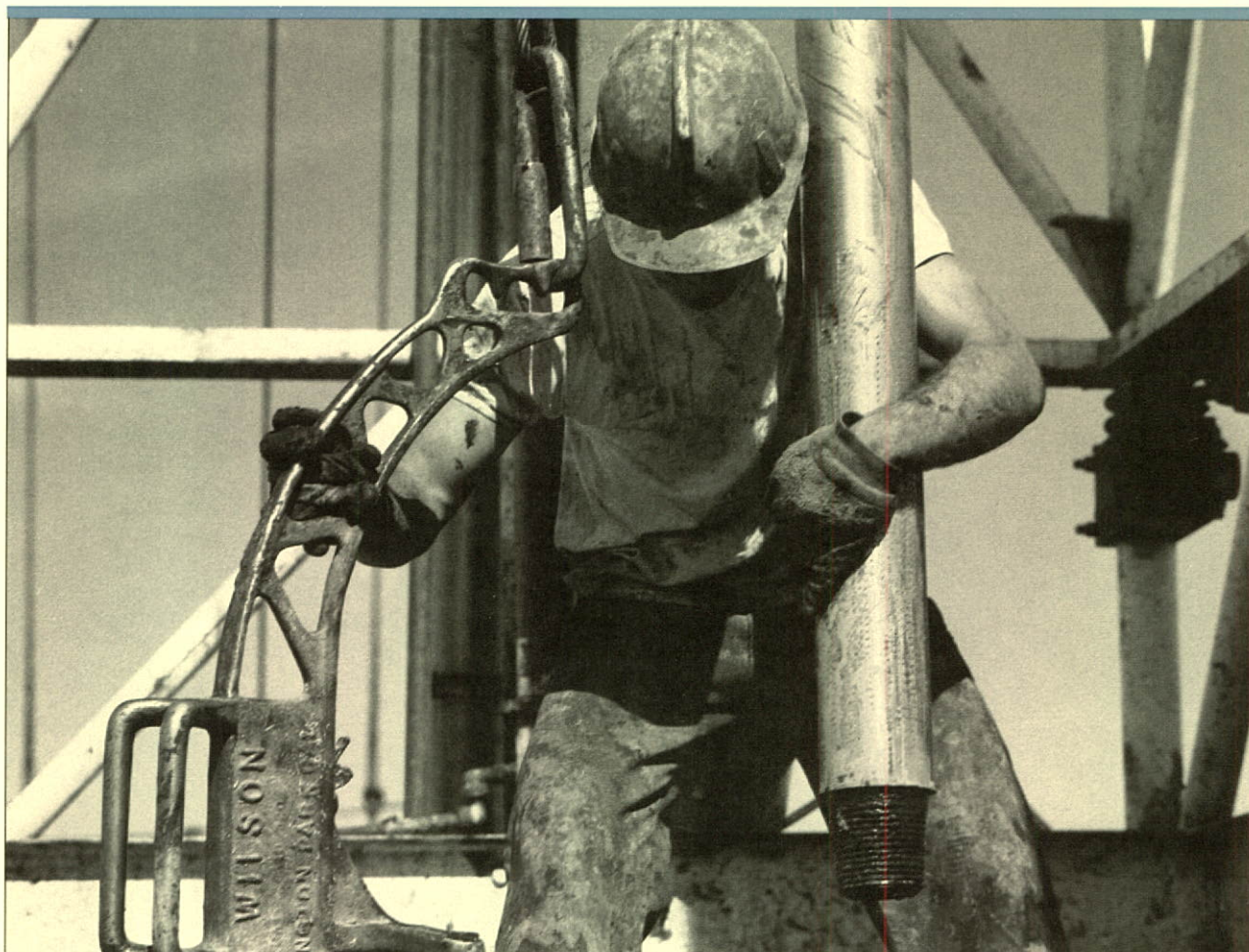
Montagne Meats' "boxed beef" processing operation is the final step in the Company's integrated beef operations. The Montagne processing facilities are among the most modern in Canada providing "boxed beef" to a rapidly expanding retail market. In line with the Company's integrated objective of achieving excellence at each stage of integration, Montagne has developed a reputation for its high quality product—a fact that will assist in ensuring Montagne's overall share of the market in the years ahead.

The entry into the oil and gas industry gives LK an exposure to, and a place in western Canada's two vital industries.

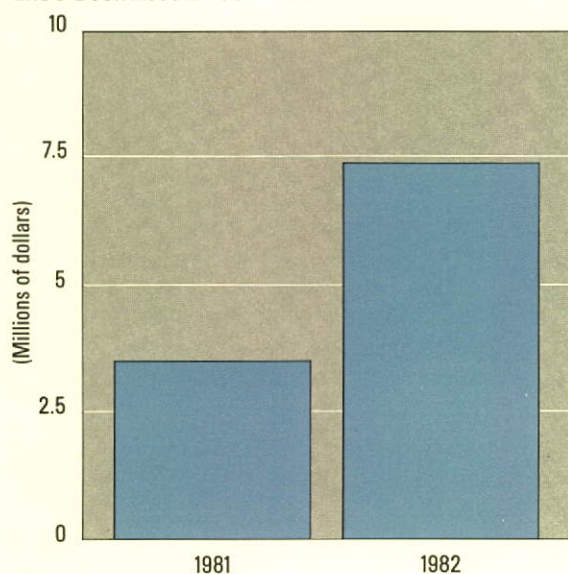




We are still a small company but are becoming known as an aggressive explorer for oil in western Canada.



LKOG Book Assets 1981 - 1982



Net Production

	Gas		Oil	
	Cu. Ft.	Cu. M.	Bbls.	Cu. M.
Canada	—	—	17,944	2,848
U.S.A.	45,864	7,280	1,435	228
Total	45,864	7,280	19,379	3,076

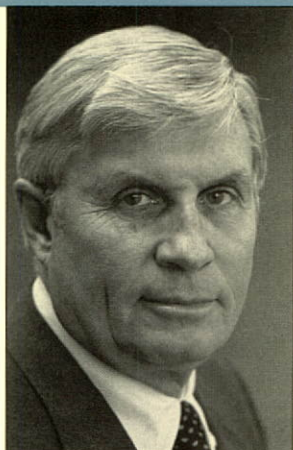
Drilling Activity

	Gas	Oil	D&A	Total
Gross	2	5	9	16
Net	.05	1.977	1.53	3.557

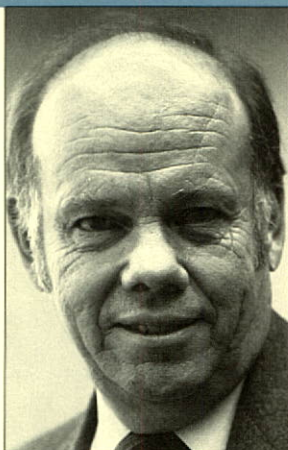
Acreage Holdings

	Acres		Hectares	
	Gross	Net	Gross	Net
Canada	400,000	10,545	160,016	4,218
U.S.A.	264,700	4,584	105,880	1,834
Total	664,740	15,129	265,896	6,052

Oil and Gas Division LK Oil & Gas Ltd.



H. Ray Ellard
President



Richard S. Buckland
Executive Vice-President



Harlow E. Way
Vice-President

LK Oil & Gas Ltd. was formed in April 1981 and fiscal 1982 represented the company's first full year of operations. Exploration success during the year and the acquisition of mineral rights in the Taber North oil field resulted in a significant increase in both reserves and cash flow potential. By the September 30, 1982 fiscal year end, the production revenues from these reserves had grown to provide LK Oil & Gas a level of financial self sufficiency, and financial independence from the parent company LK Resources.

The combined exploration and acquisition programs have provided LKOG with proven and probable oil reserves estimated to be one million barrels. Net production revenues from these reserves are currently \$1 million per year. By 1983, these revenues are projected to reach a rate of \$1.75 million per year. A recent study conducted by an independent engineering consulting firm estimates the asset value of the company up to \$18.0 million using a 15% discount factor.

LKOG is participating in a gas exploration program in the Banquereau area of offshore Nova Scotia. Here, the company is able to benefit from the ownership of a small but significant interest in a large natural gas reserve base. The operator predicts Sable Island production facilities will be operating by 1987 and it will be the first hydro-carbon production off the east coast.

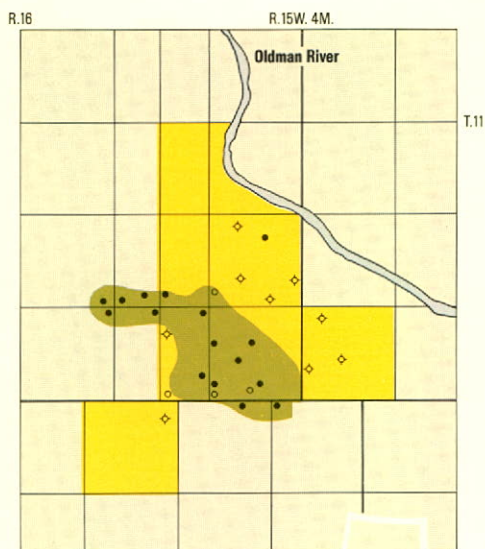
Virtually all of LKOG's current exploration is aimed at developing new oil reserves in

Western Canada. The combination of the New Oil Reference Price with present government incentives renders the economics particularly attractive for LK Oil & Gas and other small Canadian oil companies. The main risk, of course, is the possible instability of world prices and markets. Despite the scarcity of joint venture funding available in 1982, LKOG will be able to continue with a discriminating program of exploration and development aimed at the maximum production of NORP oil.

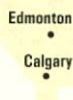
It is management policy to pursue a mix of higher risk, high reward exploration and lower reward, close-in prospects. This latter style of project offers meaningful revenues which have provided LK Oil & Gas Ltd. with a firm financial base.

LKOG's emphasis in its oil and gas programs is on the detailed technical evaluation of all prospects and consequently associates with companies having a similar approach. The resulting opportunities for farmout and other joint ventures in attractive geological plays are currently limited only by the availability of risk investment capital. While an improvement in the business and tax environment is required LKOG is convinced that Canadian companies with proper management, technical expertise and adequate funding will continue to succeed.

Management continues to pursue joint venture funding, corporate amalgamations or issue of common shares that would provide additional capital and/or production revenues to augment the company's cash



Taber North, Alberta
 L.K. Oil and Gas Ltd.
 Interests varying from
 6 2/3% to 30%



flow. Under the National Energy Program of October 1980, LK Oil & Gas is eligible for the maximum benefits accruing to companies with a Canadian Ownership Rate in excess of 75 per cent.

Operations during 1982

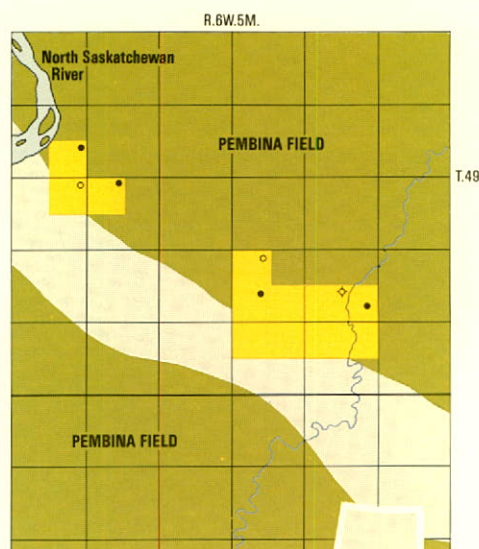
Exploration activity during fiscal 1982 was conducted partly through the Joint Venture Program funded 55 per cent by LK Resources and 45 per cent by outside investors. This program resulted in oil wells at Ferrier, Pembina and Chin Coulee as well as participation in the Banquereau C-21 gas discovery offshore Nova Scotia.

LKOG participated in a total of 16 gross wells during the year in Canada resulting in five oil wells and two gas wells. In 1981 LKOG participated in a 33-well development program in the United States resulting in gas and oil revenues from the Sooner productive trend in Oklahoma.

Land holdings by year end reached 664,740 gross acres (15,129 net) of land in Canada and the United States. Net production levels increased to 19,379 barrels of oil and 45,864 cubic feet of natural gas.

Taber North

LK Oil & Gas Ltd. owns varying interests in and adjacent to the Taber North Glauconitic



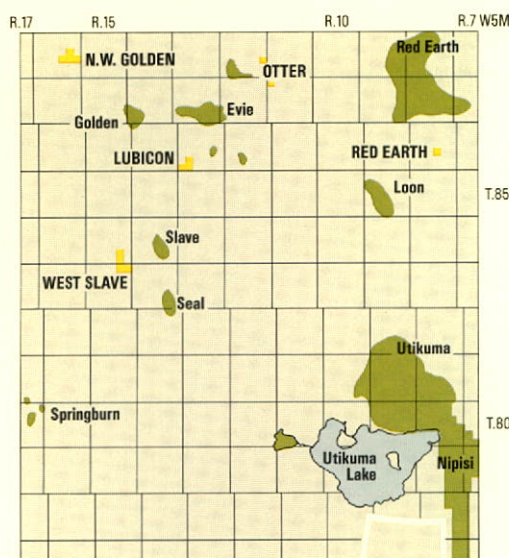
Pembina, Alberta
 L.K. Oil and Gas Ltd.
 Working interests varying from
 38% to 72%



sand pool area in southern Alberta. This pool was discovered in 1978 though developed in 1980-81. LKOG's most significant interest is a 6.667 per cent royalty in more than 2,400 acres of land. The major portion of the Taber North pool falls within these lands. There are seven oil wells which are capable of producing from the Glauconitic sandstone and one well producing from the Taber sandstone. Each of the seven Glauconitic wells has a current allowable of 250 barrels of oil per day, though this has not yet been attained due to incomplete production facilities and the lack of markets.

The entire pool is estimated by the operator to have 38.9 million barrels of oil in place. Recovery factors have yet to be determined as the pool has only recently been put on sustained production. Production history and pressure surveys will determine recovery factors. All of the oil under these acreages qualifies for higher prices available under the New Oil Reference Price or the Special Old Oil Reference Price.

In addition to the royalty interest previously mentioned, LK Oil & Gas has a working interest in two sections of land adjacent to the pool. Two wells were drilled on this land in 1982 and further drilling is anticipated following a detailed review of seismic information now underway.



Golden Red Earth, Alberta

■ L.K. Oil and Gas Ltd.
Working interests varying from
6 1/4 to 33 1/3%

■ Existing oil pool

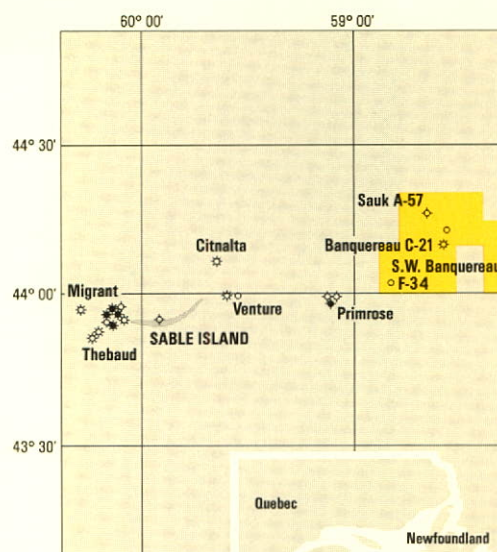
LKOG's geological expertise in the mapping of buried river channels, of which Taber North is an example, has been combined with the geophysical processing and interpretive skills of a major exploration company. With this combination of expertise available, LKOG feels confident that additional accumulations of oil can be located.

Pembina

LK Oil & Gas Ltd., in conjunction with partners, has now completed four Cardium oil wells in the Pembina field with two to four wells to be drilled in the immediate future. This area is believed to offer conservative returns but it is low risk and the combination of NORP pricing and government incentives offer the advantage of short term payouts and continuing production over many years. The Pembina program has the potential to contribute net revenues to LKOG in excess of \$750,000 per year.

Golden-Lubicon-Red Earth

During the first half of 1982, LK Oil & Gas Ltd. participated with a major company in a seismic and land acquisition program in the Lubicon-Golden-Red Earth area. Subsequent joint purchases at Crown sales netted interests varying from 6 1/4 per cent to 33 1/3 per cent to LKOG. This



Banquereau Block

■ Exploration
Agreement Area
L.K. Oil and
Gas Ltd.
1.2% working
interest

project offers the company a widespread land position in an area of high industry activity. It is anticipated that LKOG as operator will commence drilling in 1983.

Banquereau Eastcoast Offshore

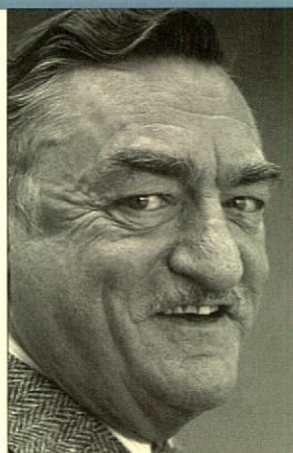
The LK Oil & Gas Joint Venture has farmed out 50 per cent of its four per cent interest in the Banquereau block for an undertaking to pay the Venture's costs for three exploratory wells drilled in the Banquereau Block. LKOG will retain a 1.2 per cent interest in the Exploration Agreement Lands.

The Banquereau C-21 earning well established 380 billion cubic feet of natural gas, testing 20 million cubic feet per day, from the Mississauga sands, as submitted to the National Energy Board Omnibus gas hearings by the operator, Petro-Canada.

It is anticipated that an approximate 20,000-foot deep test well at SW Banquereau F-34 will begin early in 1983, and will be drilled at no cost to LKOG.

Threshold reserves of three to four trillion cubic feet have been established in the Sable-Venture-Banquereau area, and the operator predicts production by 1987.

*Natural Resource Services Division
Beaver Geophysical Services
Silver State Seismograph Services Inc.*



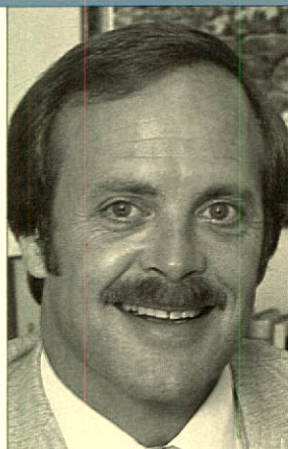
Dale G. D'Arcy
Vice-President, Beaver Geophysical Services

During 1982 the geophysical industry suffered at the hands of the depressed state of the Canadian and American economies and the cutbacks made by many oil and gas companies. The exploration for new energy reserves was severely affected, particularly among the smaller, independent oil companies, and as a result the demand for geophysical services was considerably lower than in previous years. Within this environment Silver State Seismograph Services Inc., located in Denver, had a successful year with a reasonable level of crew activity. However, uncertainty over world oil price will continue to affect exploration and geophysical activity in 1983.

For Beaver Geophysical Services the first quarter of the fiscal year reflected the general caution felt by the oil companies. The National Energy Program virtually stopped all exploration in Alberta and Saskatchewan, and no royalty incentives had yet been introduced to alleviate the situation.

Beaver's second quarter, during the winter months, showed a marked improvement. Overall winter activity was down 14 per cent from 1981 and down 28 per cent from 1980.

An unusual aspect of the winter activity was the high proportion of turnkey jobs as compared to hourly jobs. Programs in general tended to be smaller in nature, which necessitated careful pre-planning and involved considerably more front end work such as surveying, bulldozing and



Warren Davenport
Vice President, Silver State Seismograph Services Inc.

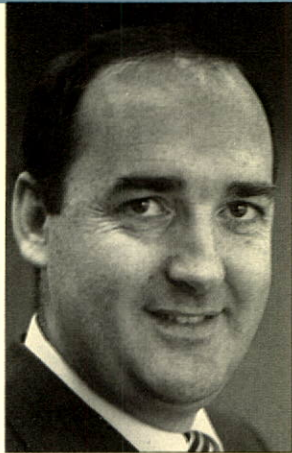
drilling. In overall terms however, Beaver Geophysical enjoyed a profitable winter and was able to recover the losses incurred during the first quarter.

The spring and summer of 1982 were disastrous for the entire geophysical industry. Both hourly and turnkey rates were pared to the break-even point. The few programs that existed were small and scattered, and most contractors were willing to absorb the costs of mobilization and de-mobilization.

The change in the Saskatchewan government also resulted in reduced activity during the summer, as it caused many companies to reconsider their plans and to remain cautious as the new government came into power. Future encouragement by the new Saskatchewan government and the Alberta government's geophysical incentives will play a major role in bringing the geophysical industry to renewed activity and a more stable economic climate.

Beaver Geophysical feels that renewed exploration activity will occur in 1983. A major incentive towards increased exploration is the high level of lease expiries which will occur over the next year primarily on deep mineral rights. The higher cost of exploring in deeper geological formations will result in greater emphasis on geological and seismic data to provide detailed information on these formations. In addition, with the New Oil Reference Pricing policy in effect, many Canadian oil companies are renewing their efforts in the exploration for new oil reserves.

Consumer Services Division



Larry DeBoice
Vice-President & General Manager, Cee-Der Log Buildings

LK's Consumer Services Division is comprised of Cee-Der Log Buildings, which manufactures and designs pre-fabricated and customized log structures, and Lathom Concrete Ltd., a 55 per cent subsidiary company engaged in gravel aggregate operations.

Lathom Concrete suffered from substantial slowdown in the commercial construction area due to the overall slowing of activity in the Alberta petroleum industry. In order to prompt a turnaround in performance, the Lathom Concrete operation was restructured and a substantial cost reduction program put into effect. This, and signs of economic improvement in 1983 in general, lead LK to believe that Lathom Concrete will successfully ride out the depressed economic period.

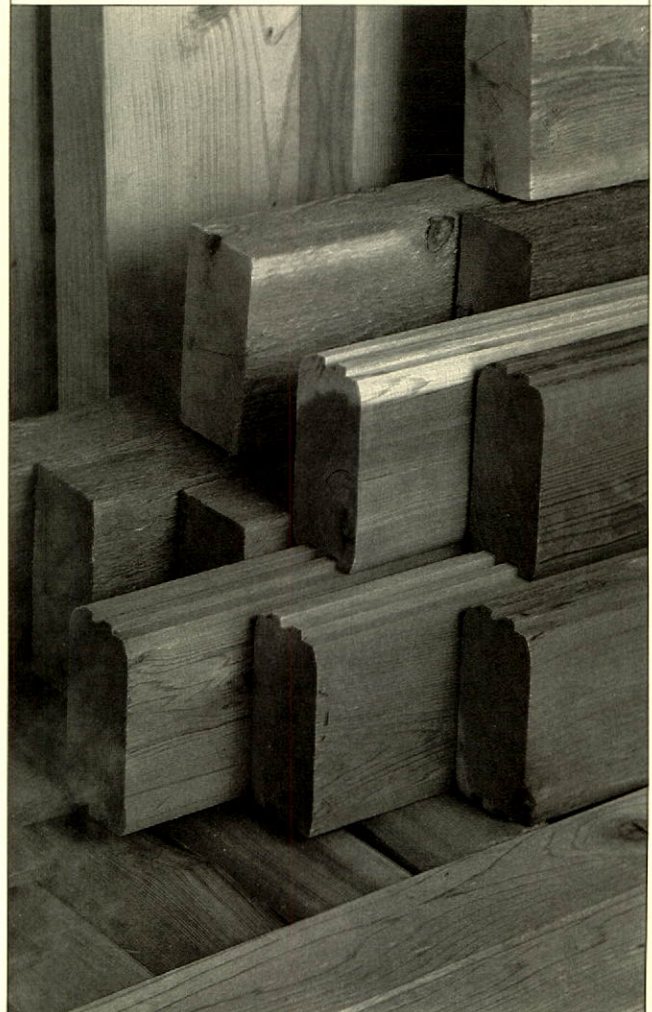
Despite the marked downturn in the entire building industry, Cee-Der Log took positive steps toward counteracting the effects of a depressed economy. With the reduced plant throughput, all areas of expense were re-assessed and a reduced work week was put into effect. In addition inventories have been reduced to a minimum to eliminate excess carrying costs.

In Cee-Der Log's traditional market areas of Alberta and Saskatchewan a new marketing program was introduced utilizing scaled down log structures in high traffic consumer areas such as major shopping malls. The company also is continuing its expansion into bordering U.S. states, mainly North Dakota, Montana and Idaho. Favourable

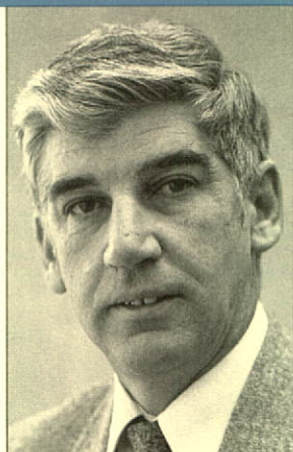
exchange rates have reinforced the sales potential in these areas.

Cee-Der Log Research and Development has been actively involved in the study of log home energy efficiency. The first series of tests conducted support the belief in the energy efficiency of log construction. The second stage of tests are now being conducted and further research has been slated for 1983.

Cee-Der Log believes that 1983 will signal a return to more normal levels of construction activity. Already, four major commercial projects are anticipated to be on stream in the first half of the year. As interest and mortgage rates decline, it is believed that the private home market will begin a gradual recovery and, with it, an increase in the demand for high quality Cee-Der Log homes.



Financial Review

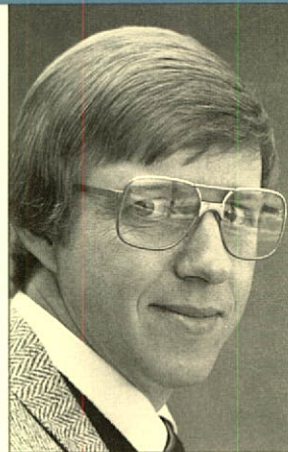


T. Peter Luzi
Senior Vice-President, Finance & Administration

The fiscal year ending September 30, 1982 was a disappointing one financially for LK Resources. Gross revenue increased 19% to \$198,693,000 while cash flow from operations decreased 160% to a funds applied to operations position of \$889,000.

During the first three quarters of fiscal 1982 the Company was able to maintain reasonable results considering the economy of the country. Results for the last quarter of 1982 were however, very disappointing and were the primary cause of the \$3.4 million loss before income taxes and minority interests. Losses incurred in the meat processing division due to unfavourable market conditions during the last quarter of 1982, coupled with a downturn in the earnings in consumer services, represent the greater share of these losses. The accompanying table of Comparative Results by Operating Division illustrates the changes in gross revenue, cash flow and operating profits.

Direct expenses in 1982 increased 19% resulting from a combination of increased expenses to accommodate higher sales and a 12% inflation rate. Interest expense in 1982 increased 37% resulting mainly from higher debt levels incurred to finance the acquisition of a second slaughter plant and oil and gas operations and the Company's inability to convert any of this debt to equity. In addition, higher rates of interest were experienced during 1982 with the Company's average short term rate approximating 18.3% and



G. David Michaels
Controller/Treasurer

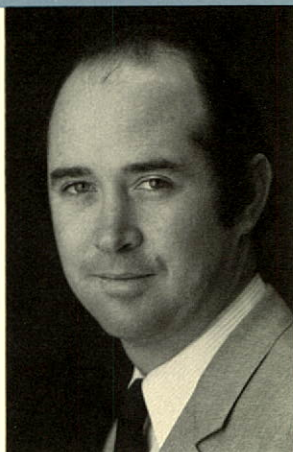
the average long term rate approximating 14.5%.

Depreciation, depletion, and amortization increased during 1982 primarily as a result of a complete year's operation of our "boxed beef" processing facilities acquired in April 1981. Depletion also increased as a result of commencement of commercial production in our oil and gas division.

The Company has incurred a loss for tax purposes during the current year. There is reasonable assurance of realizing the tax benefit of this loss in future years and has accordingly reflected a \$1.7 million recovery of deferred income taxes in 1982.

During 1982 the Company's working capital decreased approximately \$5.0 million of which \$3.3 million was incurred in the last quarter of 1982, due to the large losses being encountered. Due to the sharp decrease in working capital, the 1983 capital expenditures program has been under close scrutiny and most items of acquisition have been deferred until earning results improve. In addition, a review of overhead costs was undertaken along with efforts to dispose of certain assets which are not considered necessary to the Company's long range plans. We believe that the Company will realize net proceeds of \$5.0 million from these disposals.

During 1982 the Company's total assets increased from \$74.7 million in 1981 to



Donald J. Douglas
Executive Vice-President

\$79.8 million in 1982. The ratio of long term debt to shareholders' equity increased during 1982 to 1.2:1. This ratio may be misleading however, as a large variance exists between the net book value and estimated market value of the Company's land, oil and gas reserves and other assets which, using current values (discounted at 20% in the case of oil and gas reserves), would increase shareholders' equity by approximately \$27 million. Notwithstanding this increased value, it is the Company's objective to improve the debt equity ratio in order to strengthen the overall financial position and improve operating results.

Comparative Results by Operating Divisions

(thousands of dollars)

	Gross Revenue		Cash Flow		Operating Profit	
	1982	1981	1982	1981	1982	1981
Natural Resource Services	\$ 10,032	12,151	1,836	1,700	1,146	1,272
Oil & Gas	595	—	358	—	149	—
Consumer Services	3,888	7,026	(512)	424	(734)	154
Agribusiness Beef Production	184,178	148,083	4,500	4,057	3,187	3,335
	<u>\$ 198,693</u>	<u>167,260</u>	<u>6,182</u>	<u>6,181</u>	<u>3,748</u>	<u>4,761</u>
Interest expense					6,038	4,392
General corporate expense					919	805
Amortization					154	98
Income taxes					(1,557)	(397)
Minority interest					(61)	(265)
Extraordinary items					—	(2,101)
					<u>5,493</u>	<u>2,532</u>
Net income (loss)					<u>\$ (1,745)</u>	<u>2,229</u>

For further details of results of operations by divisions please refer to Note 7 in the financial statements.

Consolidated Balance Sheet

SEPTEMBER 30, 1982

Assets

	1982	1981
Current assets:		
Accounts receivable	\$ 15,111,000	13,571,000
Due from Receiver General	131,000	—
Inventories, at lower of cost and net realizable value	11,897,000	13,312,000
Prepaid expenses	214,000	191,000
	<u>27,353,000</u>	<u>27,074,000</u>
Fixed assets, less accumulated depreciation and amortization (Note 2)	43,533,000	38,800,000
Other assets (Note 3)	8,897,000	8,869,000
	<u>\$79,783,000</u>	<u>74,743,000</u>

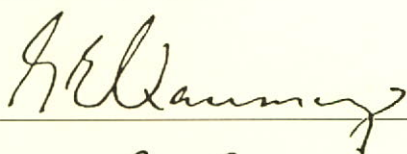
Liabilities

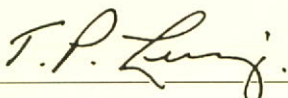
Current liabilities:

Due to bank (Note 4):		
Bank overdraft	\$ 2,894,000	750,000
Bank loans	15,627,000	14,048,000
Accounts payable and accrued liabilities	7,401,000	5,991,000
Income taxes payable, subsidiaries	—	78,000
Current portion of long-term debt	1,641,000	1,376,000
	<u>27,563,000</u>	<u>22,243,000</u>
Long-term debt, net of current portion (Note 4)	26,806,000	23,296,000
Deferred income taxes	3,326,000	4,999,000
Minority interest	—	52,000
Shareholders' equity:		
Share capital (Note 5)	7,869,000	7,869,000
Contributed surplus	352,000	352,000
Appraisal surplus	12,675,000	12,675,000
Retained earnings	1,192,000	3,257,000
	<u>22,088,000</u>	<u>24,153,000</u>
	<u>\$79,783,000</u>	<u>74,743,000</u>

See accompanying notes.

On behalf of the Board:

 _____, Director

 _____, Director

Consolidated Statement of Income and Retained Earnings

YEAR ENDED SEPTEMBER 30, 1982

	1982	1981
Sales	\$ 198,693,000	167,260,000
Expenses:		
Direct	192,511,000	161,079,000
General and administrative	919,000	805,000
Interest — long-term	3,596,000	2,301,000
— other	2,442,000	2,091,000
Depreciation and amortization	2,588,000	1,518,000
	202,056,000	167,794,000
Loss before income taxes, minority interest and extraordinary items	(3,363,000)	(534,000)
Income taxes:		
Current (recovered)	116,000	(587,000)
Deferred (recovered)	(1,673,000)	190,000
	(1,557,000)	(397,000)
Loss before minority interest and extraordinary items	(1,806,000)	(137,000)
Minority interest in losses of subsidiaries	(61,000)	(265,000)
Income (loss) before extraordinary items	(1,745,000)	128,000
Extraordinary items (Note 9)	—	2,101,000
Net income (loss)	(1,745,000)	2,229,000
Retained earnings, beginning of year	3,257,000	1,028,000
Preferred share dividends	(320,000)	—
Retained earnings, end of year	\$ 1,192,000	3,257,000
Income (loss) per share:		
Before extraordinary items	\$ (0.42)	(0.01)
Extraordinary items	—	0.43
Net income	(0.42)	0.42

See accompanying notes.

Consolidated Statement of Changes in Financial Position

YEAR ENDED SEPTEMBER 30, 1982

	1982	1981
Funds provided:		
Income from operations	\$ —	128,000
Add non-fund items	—	1,357,000
Total funds provided from operations	—	1,485,000
Proceeds on disposal of fixed assets	1,259,000	2,824,000
Proceeds on issue of long-term debt	9,056,000	10,266,000
Proceeds on issue of share capital	—	4,186,000
Decrease in other assets	263,000	205,000
Total funds provided	10,578,000	18,966,000
Funds applied:		
Loss from operations	1,745,000	—
Deduct non-fund items	(856,000)	—
Funds applied to operations	889,000	—
Purchase of fixed assets	8,195,000	12,081,000
Reduction of long-term debt	5,546,000	1,435,000
Purchase of subsidiary company less acquired working capital of \$ 1,062,000	—	7,180,000
Increase in other assets	669,000	659,000
Preferred share dividends	320,000	—
Total funds applied	15,619,000	21,355,000
Decrease in working capital	5,041,000	2,389,000
Working capital, beginning of year	4,831,000	7,220,000
Working capital (deficiency), end of year	\$ (210,000)	4,831,000

See accompanying notes.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of LK Resources Ltd. as at September 30, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
December 3, 1982

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Notes to the Consolidated Financial Statements

SEPTEMBER 30, 1982

1. Significant accounting policies:**(a) Principles of consolidation**

The consolidated financial statements include the accounts of L.K. Resources Ltd., its subsidiaries, and the Company's proportionate share of the accounts of a 50% owned corporate joint venture.

(b) Depreciation and amortization

Depreciation is provided on the straight-line method using the following rates which are designed to depreciate or amortize the assets over their estimated useful lives:

<u>Assets</u>	<u>Rate</u>
Buildings	2½ - 10%
Vehicles and moveable equipment	10 - 30%
Machinery, equipment, furniture, and fixtures	10 - 20%
Fences, wells, and dugouts	5 - 10%

Financing costs are being amortized on the straight-line method over five years.

(c) Foreign exchange

Accounts of the United States subsidiaries have been translated to Canadian funds on the following basis:

Current assets and current liabilities at the exchange rate on September 30, 1982.

Other assets and liabilities at the rate of exchange prevailing when acquired or incurred.

Revenue and expenses (excluding depreciation and amortization which are translated at the same rate as the related assets) at the average rate of exchange for the year. Translation gains and losses are included in the consolidated statement of income.

(d) Goodwill

Goodwill is being amortized on a straight-line basis over thirty years.

(e) Appraisal surplus

In 1979, a predecessor company obtained a \$10,000,000 loan secured by lands. Certain of the lands securing this loan had an appraised value of \$17,634,000. Accordingly, the Board of Directors approved the recording of the excess of the appraisal value over the previous carrying value which amounted to \$16,575,000 on which a provision for income taxes of \$3,900,000 has been provided and credited to deferred income taxes. The appraisal value of the lands was determined by Floen Appraisals Ltd., as of March 5, 1979; all other lands are carried at cost.

(f) Oil and gas properties

Oil and gas exploration through September 30, 1981 was in the pre-production stage and accordingly, all costs associated with oil and gas exploration and development were capitalized. In 1982 the Company commenced production on a commercial basis and followed the full cost method of accounting for oil and gas properties whereby all costs related to the exploration for and development of oil and gas reserves were capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges of non-productive properties, cost of drilling both productive and unproductive wells and all technical and administrative overhead related with exploration and development. Proceeds received from disposal of properties are normally credited against such costs. Depletion is provided for by the unit of production method based on total estimated proven reserves on a North American cost centre basis.

1. Significant accounting policies (continued):

(g) Comparative figures

Certain comparative figures for 1981 have been reclassified to conform with 1982 presentation.

(h) Earnings per share

Net earnings per common shares are based on the monthly weighted average number of common shares outstanding and earnings after deduction of preferred share dividends.

	1982	1981
2. Fixed assets, at cost, except land:		
Land	\$ 19,946,000	19,635,000
Buildings	9,807,000	8,341,000
Vehicles	1,451,000	1,655,000
Moveable equipment	3,914,000	3,672,000
Machinery and equipment	8,096,000	6,429,000
Furniture and fixtures	472,000	228,000
Land improvements	414,000	355,000
Fences, wells, and dugouts	640,000	620,000
Oil and gas properties including equipment thereon	5,998,000	3,175,000
	<u>50,738,000</u>	<u>44,110,000</u>
Accumulated depreciation and amortization	<u>7,205,000</u>	<u>5,310,000</u>
	<u>\$43,533,000</u>	<u>38,800,000</u>
3. Other assets:		
Notes receivable, net of current portion	\$ 866,000	565,000
Goodwill, at cost less accumulated amortization of \$410,000 (1981—\$161,000)	7,041,000	7,290,000
Financing costs, less accumulated amortization of \$249,000 (1981—\$119,000)	270,000	334,000
Other, at cost	720,000	680,000
	<u>\$ 8,897,000</u>	<u>8,869,000</u>
4. Long-term debt:		
11½% first mortgage, payable in monthly instalments including interest of \$105,000, secured by certain lands and premises situated in Alberta, due June 30, 1984	\$9,451,000	9,637,000
Term bank loan, interest at prime plus 1½%, payable in semi-annual principal instalments of \$235,000 and \$3,000,000 on October 1, 1983	7,710,000	7,710,000
Term bank production loan, interest at prime plus 1½% payable from production proceeds and secured by pledges on certain oil and gas properties	2,215,000	—
Term bank loan, interest at 15⅝% payable in monthly instalments including interest of \$85,000, secured by mortgage on certain lands, buildings and equipment	6,291,000	—
Term bank loan, interest at prime plus 1¼%, payable in monthly principal instalments of \$21,000, secured by a mortgage of certain lands, buildings and equipment	—	3,800,000
Term bank loan, interest at prime plus 2%, payable in monthly principal instalments of \$16,000 (U.S. funds), secured by a specific charge on equipment and a floating charge debenture of United States subsidiary	993,000	1,659,000
Agreements for sale, due in three annual instalments commencing September, 1982, interest at 15%, secured by real estate	544,000	608,000
Lathom Concrete Ltd. — term bank loan, interest at prime plus 2%, payable over 5 years	119,000	194,000

4. Long-term debt (continued):

	1982	1981
X.L. Feeds Ltd. — capital loan, interest at prime plus 1¼%, payable in quarterly instalments of \$16,000 secured by a mortgage on fixed assets and a floating charge on other assets	128,000	176,000
Obligations under capital leases	569,000	552,000
Other	427,000	336,000
	<u>28,447,000</u>	<u>24,672,000</u>
Deduct current portion	1,641,000	1,376,000
	<u>\$26,806,000</u>	<u>23,296,000</u>

Principal repayments in each of the next five years, excluding the production loan, are required as follows: 1983—\$1,641,000; 1984—\$13,490,000; 1985—\$926,000; 1986—\$940,000; 1987—\$665,000.

The Company anticipates that the \$9,451,000 mortgage due in 1984 will be refinanced with long term debt in the usual course of business.

All bank indebtedness is secured by general assignments of book debts and a pledge of inventories. In addition, floating charge debentures, aggregating \$45,100,000, have been issued as additional security of which \$16,600,000 is secured by a second specific charge against certain lands, buildings and equipment, subject to permitted encumbrances. The Company's present revolving lines of credit aggregate \$23,000,000.

5. Share capital:

At September 30, 1982 and 1981 the share capital was as follows:

First Preferred Shares with a nominal or par value of \$100 each. Authorized 200,000 shares; issued:	
20,517 8.75% Cumulative Redeemable First Preferred Shares Series "A"	\$2,051,000
20,000 7% Cumulative Redeemable Convertible First Preferred Shares Series "B"	2,000,000
Class "A" Special Shares without nominal or par value. Authorized 10,000,000 shares; issued 2,471,172 shares	1,850,000
Class "B" Common Shares without nominal or par value. Authorized 10,000,000 shares; issued 2,496,172 shares	1,968,000
	<u>\$ 7,869,000</u>

The 8.75% Series "A" Preferred Shares are redeemable at any time at the option of the Company. Commencing October 1, 1982, \$410,000 of Series "A" Preferred Shares are redeemable annually. The 7% Series "B" Preferred Shares are redeemable on October 1, 1986 and are convertible at any time prior to September 30, 1986 into an equal number of Class "A" Special Shares and Class "B" Common Shares at a conversion price of \$4.50 per Class "A" Special and \$4.50 per Class "B" Common Share.

The Series "A" and "B" Preferred Shares and the rights and conditions thereunder are secured by the issue of a \$2,000,000 bank letter of credit. The letter of credit firstly secures the redemption of the Series "A" Preferred Shares and so long as the Series "B" Preferred Shares have not been converted or redeemed, the letter of credit shall be continued from year to year until the Series "B" Preferred Shares have been converted.

The Class "B" common shares are non-voting, except in special circumstances, but in all other aspects rank pari passu with the Class "A" Special Shares.

Under the Employee Stock Purchase Plan the Company has authorized 75,000 Class "A" Special Shares and 175,000 Class "B" Common Shares. Total shares issued and outstanding under the purchase plan aggregate 66,000 Class "A" Special Shares and 91,000 Class "B" Common Shares at September 30, 1982.

5. Share capital (continued):

Under the Employee Stock Option Plan the Company has authorized 75,000 Class "A" Special Shares and 175,000 Class "B" Common Shares of which 42,000 Class "B" Common Shares were granted to employees during the year at a price of \$1.70 per share. Options on 6,500 Class "A" Special Shares and 6,500 Class "B" Common Shares were cancelled during the year. The options are exercisable at 20% per year on a cumulative basis and are for a term of six years. Total shares reserved under the option plan aggregate 51,250 Class "A" Special Shares and 93,250 Class "B" Common Shares at September 30, 1982.

The Company has also reserved 222,222 Class "A" Special Shares and 222,222 Class "B" Common Shares for conversion of the 7% First Preferred Convertible Shares.

6. Income taxes:

The Company has recognized the benefit of losses for income tax purposes aggregating \$7,914,000 which will be available to reduce taxes otherwise payable for years through to 1987. Because of the flexibility which the Company has with respect to the timing of the claim of certain expenditures for tax purposes, the expiry date of these losses may, if required, be extended beyond 1987.

7. Segmented information:

The Company operates primarily in four industries; agribusiness beef production comprises the integrated production of raising, feeding and the slaughtering of cattle including feed and grain production; natural resource services comprises the providing of field seismic service to the petroleum industry; consumer services comprises the pre-fabrication and manufacture of cedar log structures and distribution of gravel aggregates; and oil and gas exploration and production. The Company carries on operations in the United States in natural resource service and oil and gas exploration and production; however, this geographic segment is not significant to the Company's total operations.

	1982				
	Natural Resource Services	Oil & Gas	Consumer Services	Agribusiness Beef Production	Consolidated
Sales	<u>10,032,000</u>	<u>595,000</u>	<u>3,888,000</u>	<u>184,178,000</u>	<u>198,693,000</u>
Operating Profits	<u>1,146,000</u>	<u>149,000</u>	<u>(734,000)</u>	<u>3,187,000</u>	<u>3,748,000</u>
Direct corporate expenses:					
Interest expense:					
Long-term					3,596,000
Other					2,442,000
General corporate expense					919,000
Amortization					154,000
					<u>7,111,000</u>
Loss before income taxes, minority interest and extraordinary items					<u>(3,363,000)</u>
Identifiable assets	<u>5,507,000</u>	<u>7,392,000</u>	<u>5,134,000</u>	<u>59,778,000</u>	<u>77,811,000</u>
Corporate assets					<u>1,972,000</u>
Total assets					<u>79,783,000</u>
Capital expenditures	<u>361,000</u>	<u>2,843,000</u>	<u>175,000</u>	<u>4,595,000</u>	<u>7,974,000</u>
Corporate capital expenditures					<u>221,000</u>
Total capital expenditures					<u>8,195,000</u>
Depreciation	<u>690,000</u>	<u>209,000</u>	<u>222,000</u>	<u>1,088,000</u>	<u>2,209,000</u>
Amortization				<u>225,000</u>	<u>379,000</u>
Total depreciation and amortization					<u>2,588,000</u>

7. Segmented Information (continued):

	1981				
	Natural Resource Services	Oil & Gas	Consumer Services	Agribusiness Beef Production	Consolidated
Sales	12,151,000	—	7,026,000	148,083,000	167,260,000
Operating Profits	1,272,000	—	154,000	3,335,000	4,761,000
Direct corporate expenses:					
Interest expense:					
Long-term					2,301,000
Other					2,091,000
General corporate expense					805,000
Amortization					98,000
					5,295,000
Loss before income taxes, minority interest and extraordinary items					(534,000)
Identifiable assets	7,711,000	3,510,000	6,008,000	55,593,000	72,822,000
Corporate assets					1,921,000
Total assets					74,743,000
Capital expenditures	2,515,000	3,005,000	572,000	5,989,000	12,081,000
Depreciation	428,000	—	270,000	613,000	1,311,000
Amortization				109,000	207,000
Total depreciation and amortization					1,518,000

8. Remuneration of directors and officers:

The aggregate direct remuneration paid to directors and senior officers during the year was \$523,000 (1981 — \$775,000).

9. Extraordinary items:

	1981
Gain on sale of ranch lands	\$2,617,000
Deduct income taxes applicable thereon	516,000
	<u>\$2,101,000</u>

The sale of ranch lands in 1981 approximated 1,350 acres of land of which 165 acres were sold to certain members of the McKinnon family, major shareholders, under the same terms and conditions as the other purchaser.

10. Subsidization plan:

During the current year, the Government of the Province of Alberta announced a livestock subsidization plan for cattle producers which is based upon cattle marketings during 1980 and 1981. Based upon the guidelines as set forth by the Government, the Company has received \$920,000 in the current year and recorded this amount in Sales.

Corporate Information

Officers

Neil A. McKinnon
Chairman of the Board

Gerald E. Kaumeyer
President & Chief
Executive Officer

Donald J. Douglas
Executive Vice-President

T. Peter Luzi
Senior Vice-President,
Finance & Administration

Dale G. D'Arcy
Vice-President

Larry DeBoice
Vice-President

Lachie McKinnon
Vice-President

J. Peter Floyd
Secretary

G. David Michaels
Controller/Treasurer

Directors

John K. Church
Balzac, Alberta
Farmer

Eric Connelly
Calgary, Alberta
Chartered Accountant

Gerald E. Kaumeyer
Calgary, Alberta
President & Chief
Executive Officer,
LK Resources Ltd.

T. Peter Luzi
Calgary, Alberta
Senior Vice-President,
Finance & Administration,
LK Resources Ltd.

Neil A. McKinnon
Bassano, Alberta
Chairman of the Board

Russell L. McKinnon
Calgary, Alberta
Barrister & Solicitor

Purvis J. Paulgaard
Provost, Alberta
Rancher & Farmer

V. Kenneth Travis
Calgary, Alberta
Chairman of the Board,
Turbo Resources Ltd.

Subsidiary Companies

BEAVER GEOPHYSICAL
SERVICES
4520 - 12 Street N.E.
Calgary, Alberta T2E 4R2
Phone (403) 276-8195
Vice-President—Dale G. D'Arcy
General Manager—John Mowat

CEE-DER LOG BUILDINGS
4100 - 6a Street N.E.
Calgary, Alberta T2E 4B1
Phone (403) 277-8501
Vice-President &
General Manager—Larry DeBoice
Marketing Manager—Dwight Hoel

LK OIL & GAS LTD.
#520, 10333 Southport
Road S.W.
Calgary, Alberta T2W 3X6
Phone (403) 258-2145
President—H. Ray Ellard
Executive Vice-President—
Richard Buckland
Secretary—Harlow E. Way

LK RANCHES
Bassano, Alberta T0J 0B0
Phone (403) 641-3500
Vice-President—
Lachie McKinnon

MONTAGNE MEATS
4240 - 75 Avenue S.E.
Calgary, Alberta T2C 2H8
Phone (403) 236-2424
Vice-President—Alec Fraiberg
General Manager—David Spiegel

SILVER STATE SEISMOGRAPH
SERVICES INC.
Suite 5N, 7100 Broadway
Denver, Colorado 80221
Phone (303) 428-1660
Vice-President—
Warren Davenport

XL BEEF
5101 - 11 Street S.E.
Calgary, Alberta T2H 1M7
Phone (403) 243-6280
General Manager—Michael Nutik
Assistant General Manager—
Brian Verbin

XL FEEDS LTD.
Bassano, Alberta T0J 0B0
Phone (403) 472-3500
General Manager—Ross Weaver

Head Office

LK Resources Ltd.
#519, 10333 Southport
Road S.W.
Calgary, Alberta T2W 3X6
Phone (403) 253-9411

Auditors

Peat, Marwick, Mitchell & Co.
#2500, 700 - 2 Street S.W.
Calgary, Alberta

Solicitors

McLaws & Company
6th Floor, 407 - 8 Avenue S.W.
Calgary, Alberta

Stephen W. Shambaugh
#600,
1325 South Colorado Blvd.
Denver, Colorado

Banks

Canadian Commercial &
Industrial Bank
Calgary, Alberta

Intrawest Bank of Denver, N.A.
Denver, Colorado

Registrars & Transfer Agents

The Canada Trust Company
505 - 3 Street S.W.
Calgary, Alberta T2P 3E6

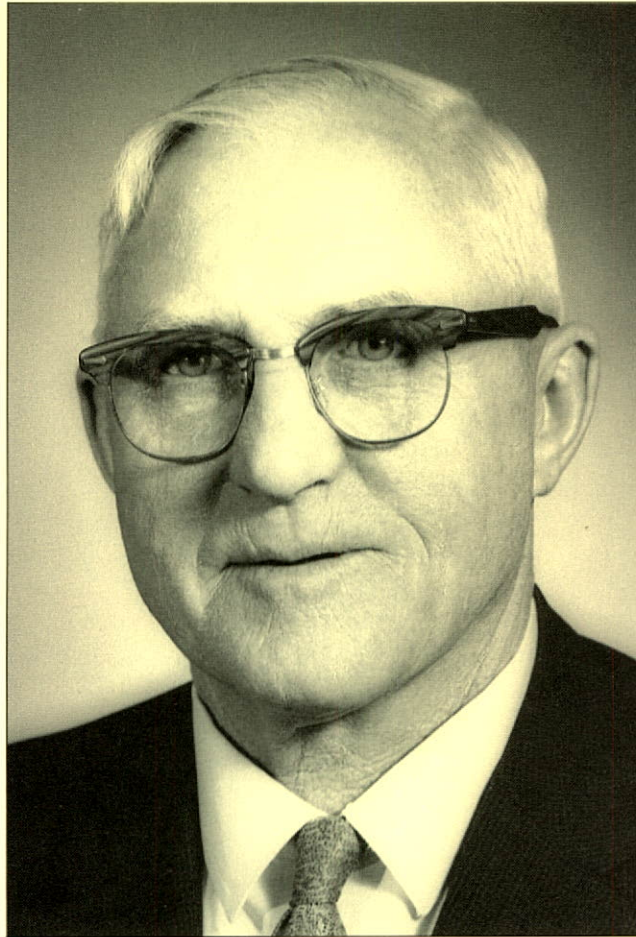
The Canada Trust Company
110 Yonge Street
Toronto, Ontario M5C 1T4

Stock Exchanges

Alberta Stock Exchange
Calgary, Alberta
(LKR)

Toronto Stock Exchange
Toronto, Ontario
(LKR)

A tribute to a grand old cowboy



Charlie McKinnon
1897-1982

Charlie McKinnon's involvement in the cattle business spanned a period of Alberta history from the days of the open range to the introduction of the so-called "exotic" breeds from Europe, the growth of large feedlots and the development of "boxed beef".

Throughout this entire period, Charlie was a keen student of all phases of the cattle business with a canny ability to identify new trends and opportunities and the courage to try them out. As a result of these qualities, he became a leader in the industry serving as President for one term and a life time Director of the Western Stock Growers Association. He was a founding trustee of Agriservices Foundation, a Californian non-profit organization dedicated to foster and support programs of education, research and development in the practice of agriculture. In recognition of his contribution to the cattle industry, Charlie was honored by the University of Calgary which conferred on him an Honorary Doctor of Laws degree.

As outstanding as Charlie's contributions to the industry have been, he will always be remembered by those people at LK Resources Ltd. who were fortunate enough to be associated with him for his great sense of humour, the twinkle in his eye and his unique ability to relate current problems to some rangeland experience.

Charlie also had an amazing ability throughout his lifetime to adapt to changing conditions. It was this ability that provided the support to management of LK Resources Ltd. that brought about the Company's growth— from an old style ranching operation to a widely diversified corporate enterprise.

